**Accounting ~ Chapter 4 Notes**

Revenue is **not** always earned as cash is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   
Expenses are **not** always incurred as cash is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Accruals and deferrals respectively are the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   
between \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ and the recognition of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

List the first 4 steps of the accounting cycle:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**THE NEED FOR ADJUSTING ENTRIES**

The purpose of adjusting entries is to allocate revenue and expenses among accounting periods in accordance with the realization and matching principles. These end-of-period entries are necessary because revenue may be earned and expenses incurred in periods other than the one in which the related transactions are recorded.

***Define***:

* Accounting Periods:
* Adjusting Entries:

Adjusting entries are needed whenever transactions affect the revenue or expenses of:

\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

These entries assign revenues to the period in which they are \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and expenses to the periods in which related goods/services are \_\_\_\_\_\_\_\_\_\_\_\_\_.

Practically, these entries are made only at the end of each accounting period. (Usually Monthly)

**TYPES OF ADJUSTING ENTRIES**

List the four basic types of adjusting entries are made to:

**1 )**

**2)**

**3)**

**4)**

**LO 3 - Prepare adjusting entries to convert assets to expenses.**

When an expenditure is made that will benefit more than one accounting period, an asset account is \_\_\_\_\_\_\_\_\_\_\_\_ and cash is \_\_\_\_\_\_\_\_\_\_\_\_. The asset account is used to \_\_\_\_\_\_\_\_\_\_\_\_ (or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ) expense recognition until a later date. At the end of each period benefiting from this expenditure, an adjusting entry is made to transfer an appropriate amount from the \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ to an \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This adjustment reflects the fact that \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ the asset's cost has been *matched* against revenue in the measurement of income for the current period.

**LO 4 - Prepare adjusting entries to convert liabilities to revenue.**

Customers sometimes \_\_\_\_\_\_ \_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ for services to be rendered in later accounting periods. For accounting purposes, the cash received does *not* represent \_\_\_\_\_\_\_\_\_\_\_\_\_ until it has been \_\_\_\_\_\_\_\_\_\_\_. Thus, the recognition of revenue must be \_\_\_\_\_\_\_\_\_\_\_\_\_\_ until it is earned. Advance collections from customers are recorded by \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ and by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This liability is sometimes called Customer Deposits, Advance Sales, or Deferred Revenue. As unearned revenue becomes earned, an adjusting entry is made at the end of each period to transfer an appropriate amount from the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ to a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This adjustment reflects the fact that \_\_\_\_\_\_ or \_\_\_\_\_\_\_\_ \_\_\_\_ the company's obligation to its customers has been fulfilled and that revenue has been realized.

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**LO 5 - Prepare adjusting entries to accrue unpaid expenses.**

Some expenses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or \_\_\_\_\_\_\_\_\_\_\_) in the current period but are not \_\_\_\_\_\_\_\_\_\_ until a future period. These accrued expenses are recorded as part of the adjusting process at the end of each period by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the appropriate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (e.g., \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_), and by \_\_\_\_\_\_\_\_\_\_\_\_\_ a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account (e.g., \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_). In future periods, as cash is disbursed in settlement of these liabilities, the appropriate \_\_\_\_\_\_\_\_\_\_\_\_\_ account is \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ is \_\_\_\_\_\_\_\_\_\_\_\_. *Note*: Recording the accrued expense in the current period is the adjusting entry. Recording the disbursement of cash in a future period is *not* considered an adjusting entry.

**LO 6 - Prepare adjusting entries to accrue uncollected revenue.**

Some revenues are \_\_\_\_\_\_\_\_\_\_\_\_\_ (or \_\_\_\_\_\_\_\_\_\_\_\_\_\_) in the current period but are not \_\_\_\_\_\_\_\_\_\_\_\_\_\_until a future period. These \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are normally recorded as part of the adjusting process at the end of each period by \_\_\_\_\_\_\_\_\_\_\_\_\_\_ an \_\_\_\_\_\_\_\_\_\_\_\_ account called \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the appropriate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account. In future periods, as \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is collected in settlement of outstanding receivables, \_\_\_\_\_\_\_\_\_\_\_\_ is \_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_is \_\_\_\_\_\_\_\_\_\_\_\_\_\_. *Note*: Recording the accrued revenue in the current period is the adjusting entry. Recording the receipt of cash in a future period is *not* considered an adjusting entry.

**ADJUSTING ENTRIES AND TIMING DIFFERENCE**

In accrual accounting systems, there are often timing differences between cash flows and the recognition of expenses or revenue.

Adjusting entries to convert assets to expenses result:

Adjusting entries to convert liabilities to revenue result:

Adjusting entries to accrue unpaid expenses result:

Adjusting entries to accrue unrecorded revenue result:

**CHARACTERISTICS OF ADJUSTING ENTRIES**

1. Every adjusting entry involves the recognition of either \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.   
   Revenue and expense represent a change in Owner’s Equity. Owner’s Equity cannot change by itself;   
   There also must be a corresponding change in either an \_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_.   
   Thus every adjusting entry will affect both an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account (revenue/expense) and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ account (asset /liability).
2. Adjusting entries are based on the concepts of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, not upon monthly bills or month-end transactions.   
   Who makes adjusting entries? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rather than the accounting clerk.

***TYPES OF ADJUSTING ENTRIES WITH DETAILS***

**1 ) CONVERTING ASSETS TO EXPENSES – Page 146**

This adjusting entry reflects the fact that \_\_\_\_\_\_\_\_\_ \_\_\_\_\_ the asset has been \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_ – or \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – during the current accounting period.

Examples of these adjusting entries include the entries to apportion the costs of prepaid expenses and the entries to record depreciation expense.

**Prepaid Expenses:**

Examples of prepaid expenses: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

If the advance payment will benefit more than just the current accounting period, the costs represent an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rather than an \_\_\_\_\_\_\_\_\_\_\_\_\_\_. The cost of this \_\_\_\_\_\_\_\_\_\_\_\_ will be allocated to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ in which the services or supplies are \_\_\_\_\_\_\_\_\_\_. In summary, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ are \_\_\_\_\_\_\_\_\_\_\_\_\_\_; they become \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ only as the goods or services are \_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_.

**THE CONCEPT OF DEPRECIATION**

Depreciable Assets:

They are not \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as are assets such as supplies, but nonetheless their \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ diminishes over time.

Examples of Depreciable Assets: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_ is not viewed as a depreciable asset, as it has an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_.

Each period a portion of the depreciable asset’s usefulness \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Therefore, a corresponding \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of its cost is recognized as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**What is Depreciation?**

Depreciation:

Depreciation is *not* an attempt to record changes in the asset’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_. In the short run, the market value of some depreciable assets may even increase, but the process of depreciation continues anyway. The rationale for depreciation lies in them matching principle. Our goal is to \_\_\_\_\_\_\_\_\_\_\_ a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the asset’s \_\_\_\_\_\_\_\_\_\_\_\_ against \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in each \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the asset’s \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_.

**The Depreciation Process**

**Depreciation is only an Estimate.**

After all we cannot look at a building or a piece of equipment and determine precisely how much of its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ has expired during the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_.

The most widely used mean of estimating periodic depreciation expense is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ - \_\_\_\_\_\_\_ method of depreciation. Under this method approach, an equal portion of the asset’s cost is allocated to depreciation expense every period of the asset’s estimated useful life.

Formula: = ---------------------------------------------

The use of an *estimated useful life* is a major reason that depreciation is *only an estimate*.

**Depreciation – A Noncash Expense**

\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_does not represent an inflow of cash or any other asset. Rather it is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the overall effect of certain business transactions on \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_. As depreciable assets expire, depreciation expense is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, net income is \_\_\_\_\_\_\_\_\_\_\_\_\_\_, and owner’s equity \_\_\_\_\_\_\_\_\_\_\_\_\_, but there is no corresponding \_\_\_\_\_\_\_\_\_\_\_ outlay in this period.

**2 ) CONVERTING LIABILITIES TO REVENUE – Page 151**

In some instances, customers may \_\_\_\_\_\_\_ \_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for services to be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ accounting periods. For example: a football team collects much of its revenue in advance through the sale of season tickets.

For accounting purposes, amounts collected from customers in advance \_\_\_\_\_ \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, because these amounts have not yet been \_\_\_\_\_\_\_\_\_\_\_\_\_\_. Amounts collected from customers in advance are recorded by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the \_\_\_\_\_\_\_\_\_\_\_ account and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account. Unearned revenue also may be called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

When a company collects money in advance it has an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to render the services in the future. Therefore the balance of an unearned revenue account is considered to be a liability.

It appears in the: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ differs from other liabilities because it usually will be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rather than \_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_.

When the company renders the service which was paid for in advance, it is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. At the end of the accounting period, an adjusting entry is made to transfer an appropriate amount from the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ account to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This adjusting entry consists of a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (unearned revenue) and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**Unearned Revenue becomes Earned Revenue**

**3 ) ACCRUING UNPAID EXPENSES – Page 152**

This type of adjusting entry recognizes \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that will be \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ transactions; therefore, no cost has yet been recorded in the accounting period.

Common Examples: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Accrue*: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

At the end of the accounting period, an adjusting entry should be made to record any \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that have \_\_\_\_\_\_\_\_\_\_\_\_\_\_ but that have not yet been \_\_\_\_\_\_\_\_\_\_\_\_\_\_. Since these expenses will be paid in the future, the adjusting entry consists of a \_\_\_\_\_\_\_\_\_\_\_\_\_ to an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**4 ) ACCRUING UNCOLLECTED REVENUE – Page 154**

A business may earn revenue during the current accounting period but \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ the customer until a \_\_\_\_\_\_\_\_\_\_\_ accounting period. This situation is likely to occur if \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ are being performed for the \_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in which case, the bill might not be prepared until \_\_\_\_\_\_\_\_ services are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Any \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that has been earned but not recorded during the current accounting period should be recorded at the end of period by means of an adjusting entry.

This entry consists of a \_\_\_\_\_\_\_\_\_\_\_ to an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the appropriate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

The term \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ often is used to describe revenue that has been \_\_\_\_\_\_\_\_\_\_\_\_ during the period but that has not been recorded \_\_\_\_\_\_\_\_\_\_ to the \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_.

**LO 8 - Explain the concept of *materiality*.**

The concept of materiality allows accountants to use \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and even to \_\_\_\_\_\_\_\_\_\_\_\_\_ other \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ if these actions will not have a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. A material effect is one that might \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ be expected to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ made by \_\_\_\_\_\_\_\_\_\_\_ of financial statements. Thus accountants may count for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_ in the easiest and most convenient manner.

**LO 9 - Prepare an adjusted trial balance and describe its purpose.**

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ reports all of the balances in the general ledger \_\_\_\_\_\_\_\_\_\_\_\_\_\_ the end-of-period adjusting entries have been made and posted. Generally, all of a company's \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ accounts are listed, followed by the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounts, and finally, the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounts. The amounts shown in the adjusted trial balance are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to the financial statements. The adjusted trial balance is \_\_\_\_\_\_\_\_\_\_ considered one of the four general purposes financial statements introduced in Chap 2. Rather, it is simply a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or \_\_\_\_\_\_\_\_\_\_) used in preparing the financial statements.

**Complete: Exercises 4.1 to 4.4 starting on Page 169**